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**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND
LAPLACE, LOUISIANA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

Six Months Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 15 JUN 30 1999

**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND
LAPLACE, LOUISIANA**

**Financial Statements
As of and for the Six Months Ended December 31, 1998**

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FINANCIAL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Members of the Council
St. John the Baptist Parish Council
LaPlace, Louisiana

We have audited the accompanying financial statements of **St. John the Baptist Parish Utilities System Enterprise Fund** of the St. John the Baptist Parish Council (the "Fund"), as of and for the six months ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of St. John the Baptist Parish. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the inadequacy of accounting records pertaining to property and equipment, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation are recorded in the accompanying balance sheet at December 31, 1998 (stated at \$37,003,933 and \$13,080,517, respectively), or the amount of depreciation expense for the six months then ended (stated at \$450,100).

As discussed in Note 1, the financial statements present only **St. John the Baptist Parish Utilities System Enterprise Fund**, and are not intended to present fairly the financial position of the St. John the Baptist Parish Council, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning property and equipment and related accumulated depreciation been adequate, the financial statements present fairly, in all material respects, the financial position of the **St. John the Baptist Parish Utilities System Enterprise Fund** as of December 31, 1998, and the results of its operations and cash flows for the six months then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 1999, on our consideration of the **St. John the Baptist Parish Utilities System Enterprise Fund's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **St. John the Baptist Parish Utilities System Enterprise Fund**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The year 2000 supplementary information on page 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the **St. John the Baptist Parish Utilities System Enterprise Fund** is or will become year 2000 compliant, that the **St. John the Baptist Parish Utilities System Enterprise Fund's** year 2000 remediation efforts will be successful in whole or in part, or that parties with which the **St. John the Baptist Parish Utilities System Enterprise Fund** does business are or will become year 2000 compliant.

Reboue & Company

May 19, 1999

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Balance Sheet
December 31, 1998**

Assets	
Current assets	
Cash and cash equivalents	\$ 1,524,124
Due from other funds	172,385
Due from other governments	16,061
Receivables, net of allowance for doubtful accounts of \$13,463	1,127,921
Inventory	98,658
	<hr/>
Total current assets	2,939,149
	<hr/>
Restricted assets	
Cash and cash equivalents	179,323
Investments	2,192,439
	<hr/>
Total restricted assets	2,371,762
	<hr/>
Property, plant, and equipment	
Property, plant, and equipment	37,003,933
Accumulated depreciation	(13,080,517)
	<hr/>
Net property, plant, and equipment	23,923,416
	<hr/>
Other assets	
	88,991
	<hr/>
Total other assets	88,991
	<hr/>
Total Assets	\$ 29,323,318
	<hr/> <hr/>

(Continued)

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Balance Sheet (Continued)
December 31, 1998**

Liabilities and Fund Equity

Liabilities

Current liabilities payable from current assets

Accounts and salaries payable	\$ 272,274
Due to other funds	1,108,624
Other liabilities	177,019
	1,557,917

Total current liabilities payable from current assets 1,557,917

Current liabilities payable from restricted assets

Customer deposits	741,577
Bonds payable, current portion	217,008
Accrued interest payable	111,217
	1,069,802

Total current liabilities payable from restricted assets 1,069,802

Long-term liabilities

Bonds payable	5,889,592
	5,889,592

Total long-term liabilities 5,889,592

Total liabilities 8,517,311

Fund equity

Contributed capital	13,235,255
Retained earnings	
Reserved	968,342
Unreserved	6,602,410
	20,806,007

Total fund balance 20,806,007

Total Liabilities and Fund Equity \$ 29,323,318

The accompanying notes are an integral part of this statement.

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Statement of Revenues, Expenses, and Changes in Retained Earnings
Budget (GAAP Basis) and Actual
For the Six Months Ended December 31, 1998**

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 2,090,529	\$ 2,013,900	\$ 76,629
Fees, charges, and commissions	125,540	130,500	(4,960)
Intergovernmental revenues:			
Federal grant	16,061	-	16,061
Reimbursed indirect costs	71,789	75,000	(3,211)
Other income	24,725	30,000	(5,275)
Total Revenues	<u>2,328,644</u>	<u>2,249,400</u>	<u>79,244</u>
Operating Expenses			
Purchases	7,506	7,500	(6)
General administration	525,560	694,443	168,883
Purification	533,326	433,144	(100,182)
Distribution	453,066	331,958	(121,108)
Depreciation	450,100	422,500	(27,600)
Total Operating Expenses	<u>1,969,558</u>	<u>1,889,545</u>	<u>(80,013)</u>
Operating Income	<u>359,086</u>	<u>359,855</u>	<u>(769)</u>
Nonoperating Income (Expense)			
Interest income	80,906	52,500	28,406
Interest expense	(206,379)	(105,862)	(100,517)
Operating transfers out	(13,549)	(50,000)	36,451
Amortization of bond issuance expense	(2,540)	(6,000)	3,460
Net Nonoperating Income	<u>(141,562)</u>	<u>(109,362)</u>	<u>(32,200)</u>
Net Income	<u>217,524</u>	<u>250,493</u>	<u>(32,969)</u>
Amortization of contributed capital	261,577	250,000	11,577
Retained earnings, beginning of year	7,058,001	7,058,001	-
Prior period adjustment, see note 21	33,650	-	33,650
Retained earnings, beginning of year, as restated	<u>7,091,651</u>	<u>7,058,001</u>	<u>33,650</u>
Retained earnings, end of year	<u>\$ 7,570,752</u>	<u>\$ 7,558,494</u>	<u>\$ 12,258</u>

The accompanying notes are an integral part of this statement.

**Gas and Water Enterprise Fund
St. John the Baptist Parish Council
LaPlace, Louisiana**

**Statement of Cash Flows
For the Six Months Ended December 31, 1998**

Cash flows from operating activities	
Operating income	\$ 359,086
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	450,100
Amortization of bond issuance expense	(2,540)
Changes in assets and liabilities:	
Due from other funds	(91,099)
Due from other governments	(16,061)
Accounts receivable	30,155
Inventory	(3,106)
Accounts and salaries payable	73,805
Due to other funds	318,272
Other liabilities	10,519
Accrued interest payable	93,211
Customer deposits	22,649
Other assets	2,540
	<hr/>
Net cash provided by operating activities	1,247,531
	<hr/>
Cash flows from non-capital financing activities	
Operating transfers out	(13,549)
	<hr/>
Net cash used by noncapital financing activities	(13,549)
	<hr/>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(882,996)
Increase in contributed capital	140,669
Repayment of bonds payable	(112,000)
Bonds payable	
New bond issues	404,000
Interest payments	(206,379)
	<hr/>
Net cash used by capital and related financing activities	(656,706)
	<hr/>

(Continued)

(206 270)

**Gas and Water Enterprise Fund
St. John the Baptist Parish Council
LaPlace, Louisiana**

**Statement of Cash Flows (Continued)
For the Six Months Ended December 31, 1998**

Cash flows from investing activities	
Interest income	\$ 80,906
Sale of investment securities	3,743,674
Purchase of investment securities	<u>(3,981,296)</u>
Net cash used by investing activities	<u>(156,716)</u>
Net increase in cash	420,560
Cash and cash equivalents, beginning of year	<u>1,282,887</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,703,447</u></u>
Reconciliation to Balance Sheet	
Unrestricted cash and cash equivalents	\$ 1,524,124
Restricted cash and cash equivalents	<u>179,323</u>
Total cash and cash equivalents	<u><u>\$ 1,703,447</u></u>

The accompanying notes are an integral part of this statement.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund (the Fund) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

A. Reporting Entity

Parish Government

The St. John the Baptist Parish Council (the Council) is the governing authority for the Parish of St. John the Baptist, a political subdivision of the State of Louisiana as authorized by the State Constitution. The Council consists of nine members, two of whom are elected from two divisions of the Parish consisting of 50% of the Parish's population and seven members elected to represent each of the seven districts. The Parish President, elected by the voters of the Parish, is the chief executive officer of the Parish and is responsible for carrying out the policies adopted by the Council and for the administration of all Parish departments, offices, agencies and special districts.

Louisiana Revised Statutes, at LSA-R.S. 33:1236 give the Council various powers in regulating and directing the affairs of the Parish and its inhabitants. The more notable of these are the power to make regulations for its own government; to regulate the construction and maintenance of roads, bridges, and its drainage system; to regulate the sale of alcoholic beverages; and to provide for the health and welfare of the poor, disadvantaged, and unemployed in the Parish. Funding to accomplish these tasks is provided by ad valorem taxes, sales taxes, beer and alcoholic beverage permits, state revenue sharing, and various state and federal grants.

St. John the Baptist Parish occupies 351 square miles with a population of approximately 40,000. Council offices are located in the parish office building at 1801 West Airline Highway, LaPlace.

As the governing authority of the Parish, for financial reporting purposes, the St. John the Baptist Parish Council is the reporting entity for St. John the Baptist Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the St. John the Baptist Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth the following criteria to be considered in determining financial accountability:

1. Organizations for which the Council appoints a voting majority of the governing body, and:
 - a. The ability of the Council to impose its will on that organization or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council.
2. Organizations for which the Council does not appoint a voting majority but which are fiscally dependent on the Council.
3. Organizations for which the reporting entity financial statements would be misleading if data for the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, the Council has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
Council on Aging	June 30	2
Community Action Agency	June 30	1.a.b.
Library	December 31	1.a.b.
Public Housing Authority	September 30	1.a.
Assessor	December 31	2
Clerk of Court	June 30	2

The accompanying financial statements present only the financial position, results of operations, and cash flows of the St. John the Baptist Parish Utilities System Enterprise Fund, and do not present financial information for the Council or for any of the above-named component units of the Council. However, the Council and these component units are required to submit annual financial statements to the State of Louisiana Legislative Auditor.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Utility System Enterprise Fund

The St. John the Baptist Parish Utilities Board is comprised of eleven (11) appointed members. Each of the seven (7) councilmen have one (1) appointment and each of the two (2) councilmen-at-large have two (2) appointments. The board members serve a term of four (4) years and meet twice a month to discuss utility-related issues. This Board reports directly to the Parish Council. The Board is an advisory board and does not have the authority to change rates, institute or eliminate charges, or modify the budget of the Fund.

GASB Statement 14 provides for the issuance of individual fund statements that are separate from those of the reporting entity. However, these individual fund financial statements are not a substitute for the reporting entity's financial statements. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to government units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund.

B. Fund Accounting

Governmental entities use funds and account groups to report their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types. The St. John the Baptist Parish Utilities System Enterprise Fund is classified in the proprietary fund category and the enterprise fund-type described below:

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Proprietary Fund

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

As a proprietary fund, the St. John the Baptist Parish Utilities System Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The St. John the Baptist Parish Utilities System Enterprise Fund is maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, a portion of the liability equal to the amount of deferred revenue earned during the period is removed from the balance sheet and revenue is recognized. Unbilled enterprise fund service receivables are recorded as fund assets at year end. Interest on revenue bonds, proceeds of which are used in financing the construction of Fund assets, is capitalized during the construction period.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" it is the policy of the Parish's proprietary funds to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Accounting Research Bulletin of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Budgetary Accounting

The Fund's budget is prepared and reported on the same basis of accounting as the financial statements. An accrual-basis budget is legally adopted by the Council prior to the start of each fiscal year.

All unexpended budgetary appropriations lapse at year end. The Fund does not utilize encumbrance accounting.

Additional details on the budgetary process may be found at Note 2.

E. Cash and Cash Equivalents and Investments

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. For purposes of the statement of cash flows, the Fund considers these same items to be cash.

Louisiana Revised Statutes, at LSA-R.S. 33:2955, authorize the Council to invest in (1) direct obligations of the United States Treasury, the principal and interest of which are fully guaranteed by the federal government; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. Government instrumentalities; (3) direct security repurchase agreements of any federal book-entry-only securities; (4) time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations; (5) in mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies; or (6) guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program approved by the State Bond Commission.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the bank.

The Fund's investments at December 31, 1998, consist of United States Treasury Bills, all of which were purchased with original maturities of one year or less. Under the provisions of Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, these investments are reported at amortized cost.

F. Receivables

Receivables consist primarily of amounts billed to customers for services provided by the St. John the Baptist Parish Utilities System Enterprise Fund and certain other enterprise funds of the St. John the Baptist Parish Council. Management provides an allowance for doubtful accounts based on a review of the current status of existing receivables and management's evaluation of the aged accounts receivable.

G. Inventories

Inventories consist of parts and equipment and are stated at the lower of cost or market, determined by the first-in, first-out method.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by the governing bond covenants. Additionally, customer deposits held by the St. John the Baptist Parish Utilities System Enterprise Fund are restricted for use in paying outstanding bills when customers discontinue service.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

J. Fixed Assets

Fixed assets used in the Fund's operations are included on the balance sheet of the Fund at cost where historical records are available and at estimated historical cost where no historical records exist, net of accumulated depreciation. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets ranging from 5 to 40 years.

Interest expense incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest cost was capitalized during the six months ended December 31, 1998.

The costs of maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Improvements that add to the value of assets are capitalized and depreciated over the remaining useful lives of the fixed assets.

Fixed assets acquired through capital contributions are capitalized. Depreciation expense applicable to these contributed assets is closed out to the related contributed capital accounts rather than retained earnings. This method is considered preferable under the matching concept wherein acquisition of these fixed assets is recorded as an addition to contributed capital.

K. Bond Issue Costs

Bond issuance expense and bond discounts incurred as a result of the issuance of revenue bonds are amortized in proportion to the debt service on the revenue bonds.

L. Compensated Absences

The Council has the following policies relating to vacation and sick leave, which apply to employees of the St. John the Baptist Parish Utilities System Enterprise Fund:

Employees earn from 5 to 20 days of vacation leave each year, depending on their length of service. Vacation leave must be taken in the year earned and cannot be accumulated. Also, employees earn 6 to 18 days of sick leave per year which can be accumulated and is paid only upon retirement. The accumulation of sick leave is nominal at December 31, 1998, therefore,

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

a liability for compensated absences due employees has not been included in the financial statements.

Leave privileges associated with employees of the Fund are recorded as a fund liability and operating expenses.

M. Long-Term Obligations

Long-term obligations expected to be financed from the Fund's operations are accounted for in the Fund.

N. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use. Unreserved retained earnings represent net assets available for future operations. Reserved retained earnings represent net assets that have been legally restricted for specific purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

The procedures used by the Parish in establishing the budgetary data reflected in the financial statements are as follows:

- (1). At least sixty (60) days before the beginning of the fiscal year, the President submits a line item operating budget and a capital budget in accordance with accepted accounting procedure in a format established by the Parish Council. The budget submitted shall be balanced. The President submits with the budget a message containing recommendations concerning the fiscal policy of the Parish, a description of the important features of the

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

budget, and an explanation of all major increases or decreases in budget recommendations as compared with expenditures of the prior year.

- (2). The Parish Council publishes the proposed budget in the official journal two (2) weeks before the meeting at which the budget is to be adopted. The budget as adopted constitutes an appropriation of funds for all purposes contained therein. A budget ordinance becomes effective the first day of the fiscal year, unless otherwise provided therein.
- (3). The Parish Council may amend the budgets before adoption except that no items for debt service may be reduced below the amount certified by the President as necessary. In no event may the Parish Council cause the total expenditures to exceed anticipated revenue. If the Parish Council fails to act on either budget within the time limit as provided in the Section herein, it shall be adopted as submitted by the President.

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 1998, the Fund has cash and cash equivalents (book balances) totaling \$1,703,447 of which \$1,524,124 is unrestricted and \$179,323 is restricted. Restricted cash is included with restricted assets on the balance sheet and included with total cash in the statement of cash flows.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in joint custody in a federal reserve bank.

At December 31, 1998, The St. John the Baptist Parish Utilities System Enterprise Fund has \$2,056,888 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,956,888 of pledged securities held by the federal reserve bank in the name of the fiscal agent bank and the Parish (GASB Category 1).

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 4 - INVESTMENTS

The Fund's investments at December 31, 1998, consist of United States Treasury Bills, all of which were purchased with original maturities of one year or less. Under the provisions of Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, these investments are reported at amortized cost.

Investments at year-end are categorized below to give an indication of the level of risk assumed by the St. John the Baptist Parish Utilities System Enterprise Fund. The categories of credit risk are as follows:

Category 1 - Insured or registered, or securities held by the Parish or its agent in the Parish's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Parish's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Parish's name.

At year end, the Fund's investment balances were as follows:

	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Market Value</u>
United States Treasury Bills	<u>\$2,192,439</u>	<u>\$2,192,439</u>	<u>\$ 2,191,861</u>

All investments are restricted for customer deposits or debt service and are classified as held-to-maturity. The total market value of the Fund's investments is \$2,191,861 net of unrealized loss on investments of \$578.

NOTE 5 - RECEIVABLES

The St. John the Baptist Parish Utilities System Enterprise Fund bills and collects user charges for water usage, provides billing and collection services for the St. John the Baptist Consolidated Sewerage District 1B, and collects fees for mosquito control, refuse collection, and ambulance service for the St. John the Baptist Parish Council.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 5 – RECEIVABLES (CONTINUED)

At December 31, 1998, accounts receivable consist of the following:

Amounts due for the Utilities System Enterprise Fund	\$ 613,065
Amounts due for:	
Ambulance District Special Revenue Fund	25,162
Solid Waste Enterprise Fund	198,709
Mosquito Abatement Enterprise Fund	32,448
Sewer District 1B Enterprise Fund	258,453
Sales taxes	<u>13,547</u>
Total accounts receivable	<u>\$1,141,384</u>
Total receivables	\$1,141,384
Less allowance for uncollectibles	<u>13,463</u>
Net accounts receivable	<u>\$1,127,921</u>

The allowance for estimated uncollectible receivables is based on historical collection experience and other relevant circumstances. The allowance for estimated uncollectibles consists of the following amount:

Utilities System Enterprise Fund	<u>\$ 13,463</u>
Total allowance for uncollectibles	<u>\$ 13,463</u>

The aging of accounts receivable balances at December 31, 1998, was as follows:

	Total	0-30 Days	31-60 Days	61-90 Days	Over 90 Days
Accounts receivable	<u>\$1,127,921</u>	<u>\$778,265</u>	<u>\$ 90,234</u>	<u>\$ 33,838</u>	<u>\$225,584</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 6 - FIXED ASSETS

A summary of property, plant, and equipment activity for the six months ended December 31, 1998, follows:

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>December 31, 1998</u>
Land and rights of way	\$ 49,753	\$ -	\$ -	\$ 49,753
Gas distribution system	28,871	-	-	28,871
Water distribution system	31,585,726	3,703,382	-	35,289,108
Office furniture and equipment	436,440	19,350	-	455,790
Transportation equipment	494,354	-	38,311	456,043
Tools and work equipment	296,831	-	-	296,831
Communications equipment	58,645	2,751	-	61,396
Building improvements	258,255	718	-	258,973
Construction in progress	<u>2,950,373</u>	<u>616,128</u>	<u>3,459,333</u>	<u>107,168</u>
Subtotal	36,159,248	4,342,329	3,497,644	37,003,933
Less: Accumulated Depreciation	<u>12,668,728</u>	<u>450,100</u>	<u>38,311</u>	<u>13,080,517</u>
Net Property, Plant, and Equipment	<u>\$ 23,490,520</u>	<u>\$ 3,892,229</u>	<u>\$ 3,459,333</u>	<u>\$ 23,923,416</u>

Depreciation expense for the six months ended December 31, 1998, totaled \$450,100.

Construction in progress consists of the following:

	Expended to <u>December 31, 1998</u>
Utilities Water Towers	<u>\$ 107,168</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 7 - RESTRICTED ASSETS

The St. John the Baptist Parish Utilities System Enterprise Fund maintains assets that are restricted to use for specified purposes.

A. Customer Deposits

Customer deposits are held in cash and investments at December 31, 1998, as follows:

Investments	\$ 703,143
Cash	<u>(2,907)</u>
Total restricted for customer deposits	<u>\$ 700,236</u>
Liability for deposits	<u>\$ 741,577</u>

B. Revenue Bond Sinking and Reserve Funds

As more fully described in Note 11, under the terms of the covenants signed in connection with its various bond issues, the Fund is required to maintain specified amounts of cash and investments in reserve funds, and to periodically make deposits to sinking funds. The assets in these accounts at year end are restricted for the payment of bond principal and interest as follows:

Sinking funds cash	\$ 158,301
Reserve funds	
Cash	8,640
Investments	<u>577,276</u>
Reserve funds total	<u>585,916</u>
Total restricted for debt service	<u>\$ 744,217</u>

C. Capital Additions and Contingency Fund

Certain bond covenants of the Fund require that an amount equal to five percent of the cash collections of the Fund each month shall be deposited into a Capital Additions and Contingencies Fund, if such an amount is available after debt service and certain expenses.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 7 - RESTRICTED ASSETS (CONTINUED)

The cash and investments in this account are restricted to use for additions, improvements, and replacements necessary for proper operation of the St. John the Baptist Parish Utilities System Enterprise Fund, and are further restricted for use in paying principal and interest on the Fund's revenue bonds should the sinking or reserve funds contain inadequate resources. The covenants require a minimum balance of \$5,000 in this account.

At December 31, 1998, this account was funded as follows:

Investments	\$ 208,836
Cash	<u>15,289</u>
Total restricted for capital additions and contingencies	<u>\$ 224,125</u>

E. System Fund

Certain bond covenants of the Fund require that the Fund set aside out of its revenues an amount sufficient to cover operating expenses of the Fund. These funds are restricted for operation of the system, and may not be transferred out of the St. John the Baptist Parish Utilities System Enterprise Fund. At December 31, 1998, the Fund contained investments totaling \$703,184.

Restricted cash and investments are summarized below:

Restricted for:	
Customer deposits	\$ 700,236
Bond sinking and reserve funds	744,217
Capital additions and contingencies	224,125
System fund	<u>703,184</u>
Total restricted cash and investments	<u>\$2,371,762</u>

NOTE 8 - BOND ISSUANCE COSTS

Bond issuance costs are capitalized and amortized over the lives of the underlying bond issues at a rate corresponding to the percentage of current year debt service to total debt service. At December 31, 1998, the Fund had \$88,991 of unamortized bond issuance costs. Amortization expense for the six months ended December 31, 1998, totaled \$2,540.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

The following is a summary of accounts, salaries, and other payables as of December 31, 1998:

Accounts payable	\$ 126,947
Salaries and withholdings	121,622
Sales taxes payable	<u>23,705</u>
Total	<u>\$ 272,274</u>

NOTE 10 - DUE TO OTHER FUNDS

As discussed in Note 5, the St. John the Baptist Parish Utilities System Enterprise Fund provides billing and collection services for several other funds of the St. John the Baptist Parish Council, and receives a commission for these services. At December 31, 1998, the Fund reported accounts receivable for amounts billed but not yet collected on behalf of these funds as illustrated in Note 5, and a related liability for the amounts due to these funds as follows:

Amounts due to:

Ambulance District Special Revenue Fund	\$ 44,744
Solid Waste Enterprise Fund	339,556
Mosquito Abatement Enterprise Fund	55,983
Sewer District 1B Enterprise Fund	460,427

The following is summary of amounts due to/due from other funds unrelated to billing and collection services at December 31, 1998:

Due to:

Sewer District 1B Enterprise Fund	204,302
Road & Bridges	<u>3,612</u>
Total due to other funds	<u>\$1,108,624</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 11 - LONG-TERM OBLIGATIONS

Bonds, certificates, and notes payable are comprised of the following issues at December 31, 1998:

Bond Type	Date of Issuance	Authorized and Issued	Interest Rate %	Maturity Date	Principal Outstanding	Interest to Maturity
<u>Revenue Bonds</u>						
Water Revenue Refunding Series 1997A						
Tax-exempt bonds	10/01/97	\$ 356,000	5.75	12/01/14	\$ 344,000	\$ 193,085
Water Revenue Refunding Series 1997B						
Taxable bonds	10/01/97	\$ 2,445,000	8.00	12/01/11	2,345,000	\$ 1,515,200
Water Revenue Utility Bonds Series 1998	6/1/98	\$ 3,500,000	5.125	6/1/28	<u>3,227,600</u>	<u>\$ 2,579,431</u>
Total Revenue Bonds					<u>\$ 5,916,600</u>	<u>\$ 4,287,716</u>
<u>Certificates of Indebtedness</u>						
Water and Gas, Series 1995	08/23/95	\$ 250,000	6.50	04/01/05	<u>\$ 190,000</u>	<u>\$ 47,125</u>
Totals					<u>\$ 6,106,600</u>	<u>\$ 4,334,841</u>

The following is a summary of bonds and other long-term debt transactions of the St. John the Baptist Parish Utilities System Enterprise Fund for the six months ended December 31, 1998:

Long-term obligations payable at July 1, 1998	\$ 5,844,600
Additions	404,000
Principal payments	(112,000)
Prior period adjustment	<u>(30,000)</u>
Long-term obligations payable at December 31, 1998	<u>\$ 6,106,600</u>

In December 1997, the Council defeased \$875,000 of Water and Gas Series 1971 Serial Bonds, \$70,000 of Water and Gas Series 1973 Serial Bonds, \$12,000 of Water and Gas Series 1978 Serial Bonds, and \$3,980,000 of Water and Gas Series 1993 Serial Bonds by placing the proceeds from the sale of the natural gas system along with a portion of the proceeds from the issuance of St. John Utility Revenue Bonds Series 1997A and 1997B in an irrevocable trust to provide for all

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND

LaPlace, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Six Months Ended December 31, 1998

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities System's financial statements. In December 1997, the Council defeased \$335,000 Water and Gas Series 1990 Serial Bonds by placing the proceeds from the sale of the natural gas system along with a portion of the proceeds from the issuance of St. John Utility Revenue Bonds Series 1997A and 1997B in an irrevocable trust to provide for all future debt service payments on the defeased bonds, which will be called for redemption on December 1, 2000. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities System's financial statements. Total bonds defeased at December 31, 1998 was \$4,780,000.

According to the terms of the bond indenture agreements, the St. John the Baptist Parish Utilities System Enterprise Fund must provide net revenues in each year equal to at least 130 percent of the bond principal and interest payments in that year. For the six months ended December 31, 1998, the bond debt service coverage factor was met.

All of the Fund's outstanding revenue bonds are subject to early redemption provisions.

The annual requirements to amortize Utilities System Enterprise Fund debt outstanding as of December 31, 1998, including interest payments of \$4,334,841, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
1999	\$ 593,045
2000	597,035
2001	585,063
2002	593,090
2003	599,468
2004 and thereafter	<u>7,473,740</u>
	<u>\$ 10,441,441</u>

NOTE 12 - OPERATING TRANSFERS IN/OUT

The following is a summary of operating transfers made during the six months ended December 31, 1998:

Transfers out to General Fund	<u>\$ 13,549</u>
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ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 13 - PENSION PLAN

Plan Description. Substantially all employees of the St. John the Baptist Council, including the employees of the St. John the Baptist Parish Utilities System Enterprise Fund, are members of the Parochial Employees' Retirement System of Louisiana (the System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Council are members of Plan A. All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the system. Under Plan A, employees who retire at or after 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980, plus 3 per cent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under Plan A, Members are required by statute to contribute 9.5 percent of their annual covered salary and the St. John the Baptist Parish Council is required to contribute at an actuarially determined rate. Effective January 1, 1997, the current employer contribution rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish (except Orleans and East Baton Rouge Parishes). These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the St. John the Baptist Parish Council are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior fiscal year.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 13 - PENSION PLAN (CONTINUED)

The following provides certain disclosures for the Utilities System Enterprise Fund's contributions to the System under Plan A.

	<u>FYE</u> <u>6/30/97</u>	<u>FYE</u> <u>6/30/98</u>	<u>SIX MONTHS</u> <u>ENDED</u> <u>12/31/98</u>
Employer required contribution rate	7.25%	7.75%	7.75%
Covered payroll	\$1,084,727	\$1,132,324	\$562,345
Required employer contributions	\$80,806	\$87,755	\$43,582
Parish contributions	\$80,806	\$87,755	\$43,582

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS

The **ST. JOHN THE BAPTIST PARISH COUNCIL** provides certain continuing health care and life insurance benefits for its employees. Substantially all of the Council's employees become eligible for these benefits if they reach normal retirement age while working for the Council. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the Council. Benefits for active employees are paid in full by the Council. The Council recognizes the cost of providing these benefits as expenditure when paid during the year. At December 31, 1998, sixteen retirees were eligible and receiving such health care benefits. Total premiums paid by the Parish for its Utilities System retirees amounted to \$31,819 for the six months ended December 31, 1998.

NOTE 15 - COMPENSATED ABSENCES

Only full time regular employees with a minimum of six months of employment service are eligible for sick pay. At retirement, all accumulated, unused, and unpaid sick leave days are forwarded to the retirement system for conversion upon application for normal retirement. At December 31, 1998, the Fund's employees had no accumulated or vested employee leave benefits that would materially affect the financial statements.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 16 – SEGMENT INFORMATION

Segment information for the Utilities System Enterprise Fund is as follows (in thousands of dollars):

<u>Fund/Type of Service</u>	<u>Utilities System</u>
Operating revenues	\$ 2,329
Depreciation	450
Operating income	359
Operating transfers out	14
Net income	218
Current capital contributions	141
Amortization of contribution capital	262
Property, plant and equipment – additions	883
Property, plant and equipment – deletions	38
Net working capital	1,381
Total assets	29,323
Bonds payable	5,890
Total fund equity	20,806

NOTE 17 - DEFERRED COMPENSATION PLAN

The Parish offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, available to all Parish employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In 1996, the U.S. Congress passed the Small Business Job Protection Act of 1996, which requires that employer governments place all amounts deferred under IRC Section 457 into a trust for the exclusive benefit of participants and their beneficiaries. This change was allowed as early as January 1, 1997, but must be done by January 1, 1999. In prior years, these assets were solely the property of the Parish and subject to claims of the Parish's general creditors, and were reported in the Parish's financial statements. During the six months ended December 31, 1998, the Parish amended its Plan to comply with the requirements of the Act. Thus, the Parish no longer has ownership of the Plan assets and they are no longer reported in the Parish's financial statements.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 17 - DEFERRED COMPENSATION PLAN (CONTINUED)

At December 31, 1998, the Plan, which covers all Parish employees, had assets consisting of investments totaling \$296,552, and liabilities for the employee benefits totaling a like amount. Investments are managed by the Plan's trustee (PEBSCO). The choices of the investment option(s) are made by the Plan participants.

NOTE 18 - RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Parish purchases commercial insurance to manage the risk of loss, and the policies covering the St. John the Baptist Parish Utilities System Enterprise Fund are included in the Council's insurance portfolio. The more significant insurance coverages include water and sewerage commercial general liability, gas officers' and directors' liability, workers' compensation, business auto, and commercial property. No settlements in excess of insurance coverages were made during the six months ended December 31, 1998.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Litigation

The St. John the Baptist Parish Utilities System Enterprise Fund of the St. John the Baptist Parish Council is not a separate legal entity, and therefore cannot be sued without recourse to the Parish Council. Accordingly, any contingencies or disclosures related to litigation may be found in the primary government financial statements of the Council.

NOTE 20 - RESERVED RETAINED EARNINGS

The nature and purpose of the reserves of retained earnings are as follows:

Retained earnings reserved for debt service	\$ 744,217
Fund balance available to pay the principal balances of the Fund's long term obligations.	
Retained earnings reserved for capital additions and contingencies	<u>224,125</u>
Unexpended funds dedicated for capital projects or emergency repairs to be performed in future years.	
Total reserved retained earnings	<u>\$ 968,342</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Six Months Ended December 31, 1998

NOTE 21 – PRIOR PERIOD ADJUSTMENT

In the prior year, the Utilities Enterprise Fund overstated its principal and interest payments on the Certificates of Indebtedness Series 1995. Had this error not occurred, due to other funds would have decreased by \$33,650, and retained earnings would have increased by a like amount for the year ended June 30, 1998. The effect of the prior period adjustment to the Utilities System Enterprised Fund's retained earnings is summarized below:

Retained earnings, beginning of year	\$ 7,058,001
Prior period adjustment	<u>33,650</u>
Retained earnings, beginning of year, as restated	<u>\$ 7,091,651</u>

SUPPLEMENTAL INFORMATION

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
SCHEDULE OF INSURANCE
Six Months Ended December 31, 1998

<u>Policy Number</u>	<u>Limits of Liability/Coverage</u>	<u>Insurer</u>	<u>Term</u>
43CENQH2056	WATER AND SEWERAGE LIABILITY \$2,000,000 General aggregate \$1,000,000 Each occurrence \$1,000,000 Personal and advertising \$1,000,000 Products, completed operations \$5,000 Medical expenses	Hartford Insurance Co.	7/98-12/98
POL106274	GAS DIRECTORS AND OFFICERS LIABILITY \$1,000,000 Occurrence/aggregate \$2,500 Retention (Need to keep in force for 1 year per contract of sale)	Ranger Insurance Co.	7/98-12/98
43CENQH2058	BUSINESS AUTO \$1,000,000 Combined single limit \$1,000,000 Under-uninsured motorists \$5,000 Medical payments Hired and non-owned coverage	Hartford Insurance Co.	7/98-12/98
53659-2	WORKERS COMPENSATION \$1,000,000/\$1,000,000/\$1,000,000	Louisiana Workers Compensation Corp.	7/98-12/98
47PKSQL1787	CONTRACTOR'S EQUIPMENT \$1,577,000 Coverage per schedule \$500 Deductible	Hartford Insurance Co.	7/98-12/98
IMC300931	Sewerage and Water Boiler and Machinery \$1,500,000 Coverage \$1,000 Deductible	Hartford Insurance Co.	7/98-12/98
O1DDGA0968	Crime Coverage \$500,000 Coverage	Hartford Insurance Co.	7/98-12/98
CFP537532	Property (Tanks) \$3,600,000 Coverage	Audubon	7/98-12/98
CFP950061	Property (Building) Amount: Various	Audubon	7/98-12/98
PLS8198717	Pollution \$1,000,000 Coverage	American International	7/98-12/98

See Independent Auditor's Report.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
SCHEDULE OF UTILITY BOARD MEMBERS
Six Months Ended December 31, 1998

<u>Board member</u>	<u>Per Diem Paid During the Six Months Ended 12/31/98</u>
Joe Millet	\$ 360
Billy Lambert	270
Bobby Aucoin	300
Gary Brock	300
Kernell Goudia	210
Warner Sylvain	330
Jimmy Hymel	330
Mark Grajkowski	210
Johnny Sperling	390
Alfred Donaldson	330
Inez Duhon	270
Adrienne Labat	600
Al Arabic	<u> -</u>
Total	<u>\$ 3,900</u>

See Independent Auditor's Report.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA
YEAR 2000 DISCLOSURES (UNAUDITED)
Year Ended December 31, 1998

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND'S** operations as early as 1999.

The **ST. JOHN THE BAPTIST PARISH COUNCIL** has completed an inventory of its computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conduct Parish operations. All of these systems and equipment are in the remediation phase except for the Financial Reporting, Utility Bills, Payroll and Employee Benefit System, which is in the validation/testing phase. The Parish has identified the following systems affecting the Utilities System Enterprise Fund, which require Year 2000 remediation:

Financial Reporting, Utility Bills, Payroll and Employee Benefit Systems

The **ST. JOHN THE BAPTIST PARISH COUNCIL** has upgraded its AS400 system through a contract with IBM and upgraded its software by contracting with SCT, its software vendor. The cost of this upgrade was approximately \$75,000 of which the majority of these costs were incurred in 1997. Some testing of the system has been performed and the Parish expects to have all testing completed by May 31, 1999.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND** is or will be Year 2000 ready, that the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND'S** remediation efforts will be successful in whole or in part, or that parties with whom the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND'S** does business will be Year 2000 ready.

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable President
and Members of the Council
St. John the Baptist Parish Council
LaPlace, Louisiana

We have audited the financial statements of the **St. John the Baptist Parish Utilities System Enterprise Fund**, (the Fund) as of and for the six months ended December 31, 1998, and have issued our report thereon dated May 19, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards*. The findings are described in the accompanying Schedule of Findings and Questioned Costs as Items 98A-1, 98A-2 and 98A-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **St. John the Baptist Parish Utilities System Enterprise Fund** of the St. John the Baptist Parish Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial

reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **St. John the Baptist Parish Utilities System Enterprise Fund** of the St. John the Baptist Parish Council's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98A-3 through 98A-9.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 98A-3, 98A-8 and 98A-9 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated May 19, 1999.

This report is intended solely for the information and use of the Council, management of the Parish, the Louisiana Legislative Auditor, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rebowe & Company

May 19, 1999

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Six months Ended December 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of the **St. John the Baptist Parish Utilities System Enterprise Fund** due to the inadequacy of accounting records pertaining to property and equipment.
2. Seven reportable conditions disclosed during the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. These items are described in Section B.(1)(b) and B.2 of which items 98A-3, 98A-8, and 98A-9 are reported as material weaknesses.
3. Instances of noncompliance material to the financial statements of the **St. John the Baptist Parish Utilities System Enterprise Fund** are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. These items are described in Section B.(1) below as items 98A-1, 98A-2, and 98A-3.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

1a. COMPLIANCE FINDINGS

FINDING 98A-1 – BOND REQUIREMENTS

Condition:

The Utilities System Enterprise Fund failed to comply with the sinking fund requirements as set forth in the bond covenants for its Water Revenue Refunding Bonds, Series 1997A, 1997B, and Water Revenue Utility Bond, Series 1998. The combined sinking fund was underfunded in the amount of \$3,249 at December 31, 1998.

Criteria:

Bond covenants require certain funding levels to be maintained.

Effect:

The Fund is in violation of the sinking fund requirement as specified in the bond covenant.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998

FINDING 98A-1 – BOND REQUIREMENTS (CONTINUED)

Recommendation:

The Fund should review funding requirements monthly to determine their compliance with bond covenants.

Response:

Management will review its policies and procedures for insuring compliance with bond covenants, and will review funding levels on a monthly basis.

FINDING 98A-2 – SALARY ADVANCES

Condition:

For the year ending December 31, 1998, we noted two instances in which the **ST. JOHN THE BAPTIST PARISH COUNCIL** advanced wages to a Parish employee.

Criteria:

LSA-R.S. 14:138 prohibits the payment of advanced wages or salaries to employees.

Effect:

This is a violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-R.S. 14:138, and AG Opinion 79-729.

Recommendation:

Procedures should be implemented which prohibits the advancing of wages to employees.

Response:

Management will not issue salary advances to Parish employees in the future.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998

b. COMPLIANCE FINDING/MATERIAL WEAKNESS

FINDING 98A-3 – PROPERTY AND EQUIPMENT

Condition:

As in the prior years, we noted that the Parish does not maintain adequate, detailed accounting records of fixed assets or fixed asset additions and deletions for assets included in its Utilities System Enterprise Fund. In addition, we noted the Parish did not remove assets sold during the year from the fixed assets listing for its Utilities System Enterprise Fund. Fixed assets are shown on the accompanying balance sheet at \$37,003,933.

Criteria:

Generally accepted accounting principles and Louisiana law, at LSA-R.S. 24:545(B)(1), require government agencies to maintain accurate, detailed accounting records of fixed assets.

Effect:

Failure to maintain current and accurate records of fixed assets severely limits the Parish's ability to safeguard those assets against loss from theft or misappropriation, and limits the ability of the Parish to prepare financial statements for the Utility System Enterprise Fund in accordance with generally accepted accounting principles.

Recommendation:

We recommend that the Parish conduct a comprehensive inventory of all property owned by the Parish, including assets held by the Utilities Enterprise Fund. Also, the Parish should develop a system whereby all fixed asset additions and disposals are properly accounted for in a timely manner.

Response:

A firm has been hired by the Parish Council to conduct a fixed asset inventory for the Parish as well as its enterprise funds. Once this inventory is completed, an Accounting Department employee will be assigned the task of maintaining the fixed asset listing in the current year. This employee will record all asset additions and disposals and insure the accuracy of this listing.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998

2. REPORTABLE CONDITIONS

FINDING 98A-4 - SEGREGATION OF DUTIES

Condition:

We noted a lack of segregation of duties in the Finance Department. We identified several instances in which the accountant who maintains accounting records also performs the bank reconciliations and supervises cash disbursements.

Criteria:

An appropriately designed system of internal controls attempts, within financial and personnel constraints, to separate incompatible accounting duties. The system should insure that no one employee has access to both physical assets and the related accounting records, and that one employee does not control all phases of a transaction.

Effect:

Unintentional or intentional errors may occur and be undetected by management.

Recommendation:

We recommend that management review its current internal control and consider separating incompatible duties.

Response:

The Utilities System Enterprise Fund will review the current internal control structure and attempt to assign incompatible duties to other employees when feasible.

FINDING 98A-5 - REVIEW AND APPROVAL

Condition:

The Parish does not have a system in place indicating that an appropriate review and approval of accounting records was performed by supervisory personnel.

Criteria:

Procedures should be in place that provide reasonable assurance that bank reconciliations, subsidiary ledgers, journal entries and other accounting records are reviewed and approved timely by the appropriate supervisory personnel.

Effect:

Undetected errors are occurring in the accounting records.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998

FINDING 98A-5 - REVIEW AND APPROVAL (CONTINUED)

Recommendation:

We recommend that the Parish implement a policy whereas all accounting records are initialed by the appropriate supervisory personnel indicating that a proper review and approval was performed. Furthermore, a checklist should be developed to track and monitor the preparation, review, and approval of all accounting records.

Response:

Supervisory personnel will implement a checklist of review procedures over accounting records and will divide or distribute the responsibility of the different funds based upon volume.

FINDING 98A-6 - WRITE-OFF OF ACCOUNTS RECEIVABLE

Condition:

As noted in the prior year, the Utilities System Enterprise Fund did not perform the write off function at year end in order to accurately reflect amounts due from customers. Furthermore, the write off function was not performed throughout the year. Also, aged accounts receivable and write-offs are not being monitored by someone independent of the write off function.

Criteria:

Generally accepted accounting principles require that accounts receivable be stated at net realizable value. To ensure proper valuation of receivables, the Fund's allowance for uncollectible accounts should be updated periodically and any accounts which are potentially uncollectible should be written off.

Effect:

Accounts receivable and write-off amounts may not be accurately reflected at year end.

Recommendation:

The Fund should implement procedures which require a periodic evaluation of the Fund's allowance for doubtful accounts. Furthermore, the allowance should be reviewed by supervisors personnel.

Response:

Management will perform periodic reviews of the write-off function to insure that this function is being performed in a timely manner.

**THE ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998**

FINDING 98A-7 - METER DEPOSIT LIABILITY

Condition:

As noted in the prior year, the Utilities System Enterprise Fund does not maintain adequate supporting documentation for the meter deposit liability. Furthermore, the Fund has no system in place that requires a subsidiary ledger of customer deposits to be maintained and reconciled to the general ledger on a regular basis.

Criteria:

Generally accepted accounting principles require that general ledger account balances be supported by adequate documentation.

Effect:

Failure to maintain sufficient supporting documentation for meter deposit liability limits the Fund's ability to safeguard customer deposits from loss.

Recommendation:

The Fund should implement procedures that require a subsidiary ledger of customer deposits to be maintained and reconciled to the general ledger on a regular basis.

Response:

Management will perform periodic reviews of the supporting documentation for the meter deposit liability to insure that this list is maintained and kept current.

FINDING 98A-8 - CASH DISBURSEMENTS

Condition:

We noted that the check writing machine used by the Utilities System Enterprise Fund as part of the Accounts Payable function has several deficiencies including a lack of adequate controls to limit access to the machine, a lack of adequate supervision and review over the check writing function, a lack of adequate controls over blank checks, and a lack of adequate controls to prevent duplicate check numbers from being used.

Criteria:

Internal controls should be in place that provide reasonable assurance that all cash disbursements are authorized and accurately recorded in the general ledger.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Six months Ended December 31, 1998

FINDING 98A-8 - CASH DISBURSEMENTS (CONTINUED)

Effect:

Because of the lack of controls over the cash disbursements function, unintentional or intentional errors may occur and be undetected by management.

Recommendation:

Procedures should be implemented to insure adequate internal controls are in place over the cash disbursements function.

Response:

We will implement procedures to insure adequate internal controls over cash disbursements are maintained.

FINDING 98A-9 - PAYROLL

Condition:

During the course of our audit, we noted improper usage of Parish time clocks. In particular, we noted two instances in which a time card was submitted to the Payroll Department with a date stamp that was 10 days later than the current date. Due to this inaccuracy, the time cards were returned to the appropriate department. Instead of the Supervisor correcting the erroneous time cards manually, the time clock was manipulated to produce two new "pre-dated" time cards with the correct hours worked. In two other instances, we noted that the time clock was manipulated which was evidenced by two time cards indicating that hours worked were from 7:30 p.m. to 3:30 a.m., rather than the regular work hours of 7:30 a.m. to 3:30 p.m.

In addition, we also noted that the Parish has at least 12 time clocks located throughout the Parish, of which there are several models in use by the Parish.

Criteria:

Procedures should be in place that provide reasonable assurance that hours worked by Parish employees are reflected in an accurate manner on time cards as recorded by the Parish time clocks. Also, the Parish should consider obtaining a time clock system whereby similar time clocks are located at multiple locations. This would result in uniform output on all Parish time cards.

ST. JOHN THE BAPTIST PARISH COUNCIL
LA PLACE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 1998

FINDING 98A-9 – PAYROLL (CONTINUED)

Effect:

Due to a lack of adequate controls over the payroll time clocks, there is the potential for inaccurate hours to be recorded.

Recommendation:

We recommend that the Parish Administration review its internal controls presently in place over the payroll time clock and consider upgrading its present time clocks.

Response:

Parish Administration will review the payroll time clock system and make any modifications considered necessary.

**ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Six Months Ended December 31, 1998**

1. REPORTABLE CONDITIONS

FINDING 98-1 – WRITE-OFF OF ACCOUNTS RECEIVABLE

Condition:

The Utilities System did not perform the write off function at year end in order to accurately reflect amounts due from customers. Furthermore, the write off function was not performed throughout the year. Also, aged accounts receivable and write-offs are not being monitored by someone independent of the write off function.

Current Status:

As of December 31, 1998, the Fund did not perform the write off function at year end and throughout the six months ended December 31, 1998. This finding is included in the Schedule of Findings and Questioned Costs (98A-6) at December 31, 1998.

FINDING 98-2 – METER DEPOSIT LIABILITY

Condition:

We noted that the Utilities System Enterprise Fund does not maintain adequate supporting documentation for the meter deposit liability. Furthermore, the Fund has no system in place that requires a subsidiary ledger of customer deposits to be maintained and reconciled to the general ledger on a regular basis.

Current Status:

As of December 31, 1998, the Fund continues to maintain inadequate accounting records for the meter deposit liability and has no system in place that requires a subsidiary ledger of customer deposits to be maintained and reconciled to the general ledger on a regular basis. This finding is included in the Schedule of Findings and Questioned Costs (98A-7) at December 31, 1998.

**ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Six Months Ended December 31, 1998**

2. MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE WITH LAWS AND REGULATIONS

FINDING 98-3 – FIXED ASSET RECORDS

Condition:

As in the prior year, we noted that the Parish does not maintain adequate, detailed accounting records of fixed assets or fixed asset additions and deletions for assets included in its Utilities System Enterprise Fund.

Current Status:

As of December 31, 1998, the Fund continues to maintain inadequate accounting records of fixed assets or fixed asset additions and deletions. This finding is included in the Schedule of Findings and Questioned Costs (98A-3) at December 31, 1998.

**ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**CORRECTIVE ACTION PLAN
Six Months Ended December 31, 1998**

Management's corrective actions are described in the response to each of the auditor's compliance and internal control findings as reported in the Schedule of Findings and Questioned Costs. The contact person responsible for the corrective actions is the Finance Director, Claudette Raphael. All corrective actions are expected to be completed by December 31, 1999.

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**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND**

MEMORANDUM OF ADVISORY COMMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1998

**REBOWE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION**

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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May 19, 1999

To the Honorable President
and Members of the Council
St. John the Baptist Parish, State of Louisiana
LaPlace, Louisiana

We have audited the primary government financial statements of the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND**, State of Louisiana for the six months ended December 31, 1998, and have issued our report thereon dated May 19, 1999. As part of our audit, we considered the Utilities System Enterprise Fund's internal control over financial reporting in order to determine the nature, timing and extent of our auditing procedures for the purpose of *expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.*

Our consideration of the internal control over financial reporting has been reported on in a separately issued report entitled *Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated May 19, 1999.

This memorandum summarizes various other matters which have come to our attention. While not involving reportable conditions, these matters do present opportunities for strengthening the internal control over financial reporting and improving the operating efficiency of the Utilities System Enterprise Fund.

We have discussed our comments and recommendations with various Utilities System Enterprise Fund personnel and have included their responses. We will be pleased to discuss these comments with you in further detail at your convenience, perform any additional analysis of these matters, or assist you in implementing our recommendations.

Sincerely,

Rebowe & Company

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. SUBSIDIARY LEDGERS

Observation:

We noted that subsidiary ledgers maintained by the Utilities System Enterprise Fund for investments, accounts payable, and NSF listing were not reconciled to the general ledger in a timely matter.

Recommendation:

We recommend that the Utilities System Enterprise Fund reconcile all subsidiary ledgers to the general ledger in a timely manner to insure that account balances are properly stated.

Management Response:

Management will implement procedures to insure that all subsidiary ledgers are reconciled to the general ledger on a monthly basis.

2. ALLOCATION OF INDIRECT COSTS

Observation:

We noted that the Utilities System Enterprise Fund allocates indirect costs amongst various funds related to utility billings and administrative costs. The Utilities System Enterprise Fund does not maintain documentation to support their indirect cost allocation plan.

Recommendation:

We recommend that the Utilities System Enterprise Fund conduct a study to review their current method of indirect cost allocation. This study should determine if such allocation is reasonable and allowable with respect to designated revenues and federal funding requirements. This indirect cost allocation plan should be documented and reviewed annually.

Management Response:

Parish Administration will consider implementing such recommendation.

3. OVERTIME PAY

Observation:

During our testing of Utilities System Enterprise Fund salaries, we noted that overtime wages represented approximately 21% of the total wages. Also, the overtime wages were 22%, or \$21,742 over the budgeted amount.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Recommendation:

We recommend that the Utilities System Enterprise Fund perform a review of its overtime policy. If feasible, the Utilities System Enterprise Fund may consider hiring additional personnel to meet the current workload. The hiring of additional personnel may reduce total payroll expenditures by minimizing the need for overtime pay, which is paid at a rate of time and a half.

Management Response:

Management will review their overtime policy and will closely monitor overtime in an attempt to minimize overtime wages.

4. RELATED PARTY TRANSACTIONS

Observation:

We noted that the Utilities System Enterprise Fund does not maintain a policy for its adherence to Louisiana Revised Statute 42:1112 "Participation in certain transactions involving the governmental entity." This statute prohibits public servants from participating in any transaction involving the governmental entity in which they have a personal financial interest, or in which a member of their immediate family has a personal financial interest.

Recommendation:

We recommend that the Parish consult its legal counsel in addressing this matter.

Management Response:

The Parish Administration has contacted the Parish Attorney who will send a letter to all elected officials, directors and supervisory personnel regarding such prohibited transactions under this statute.

5. SERVICE CENTER

Observation:

We noted that the Utilities System Enterprise Fund Service Center has access to the mainframe billing module; however, has restricted ability to input customer utility payments into the computerized billing system upon receipt. The input of utility payments is performed at the Parish billing department.

Recommendation:

We recommend that the Parish Administration consider implementing a procedure whereby customer payments are inputted upon receipt at the Service Center. This could strengthen internal controls and provide efficiencies in this collection process.

Management Response:

Management will review the current procedures used to collect and record customer utility payments.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

6. INTERFUND TRANSACTIONS

Observation:

During our audit, we noted numerous instances in which interfund transfers and interfund receivables and payables did not reconcile. It appears that these differences are the result of a lack of communication and review between department personnel.

Recommendation:

We recommend that the interfund transfers as well as interfund receivables and payables be reconciled on a monthly basis.

Management Response:

Management will implement procedures to insure that all subsidiary ledgers are reconciled to the general ledger on a monthly basis.

7. ACCOUNTING POLICIES AND PROCEDURES MANUAL

Observation:

The Utilities System Enterprise Fund does not have an accounting policies and procedures manual defining the duties and responsibilities for each finance department employee.

Recommendation:

We recommend that the Parish develop a formal accounting manual that would clearly define employee responsibilities, aid in training employees, and provide management with a tool for monitoring employee performance. An accounting manual can also help insure consistent treatment of similar accounting transactions, use of proper accounting principles, and production of accounting reports in the form desired by management.

Management Response:

Management is in the process of preparing a formal accounting policies and procedures manual.

8. COMPLETENESS OF ACCOUNTS PAYABLE

Observation:

We noted that proper procedures for recording accounts payable at year end are not being followed. We noted approximately \$62,100 of payables during our search for unrecorded liabilities which were not included in the accounts payable listing as of December 31, 1998, but were later included in the financial report. This error occurred due to a lack of training and supervision regarding the proper recording of accounts payable at year end.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Recommendation:

We recommend that personnel should be adequately trained as to the proper procedures for recording accounts payable at year end.

Management Response:

The Utilities System Enterprise Fund's financial reports are maintained on a cash basis during the year and are converted to accrual basis at year end in connection with the audit. We will train and supervise personnel as to the proper procedures for recording accounts payable at year end.

9. RECORDING OF DEFERRED REVENUE

Observation:

We noted that the Utilities System Enterprise Fund recorded revenues on a cash receipt basis. A portion of these revenues should be deferred and recorded in the period when the revenues are earned. This error occurred due to a lack of training and supervision regarding the proper recording of deferred revenues at year end.

Recommendation:

We recommend that personnel should be adequately trained as to the proper procedures for recording deferred revenues at year end.

Management Response:

The Utilities System Enterprise Fund's financial reports are maintained on a cash basis during the year and are converted to an accrual basis at year end in connection with the audit. We will train and supervise personnel as to the proper procedures for recording deferred revenues at year end.

10. CASH MANAGEMENT

Observation:

We noted that the Utilities System Enterprise Fund's investment portfolio consists exclusively of U.S. Treasury Bills with original maturities of one year or less.

Recommendation:

We recommend that the Utilities System Enterprise Fund consider investing in U.S. Treasury Securities with longer-term maturities to obtain higher investment yields. Also, an investment portfolio containing both short-term and long-term investment securities would enable the Utilities System Enterprise Fund to minimize interest rate risk.

Management Response:

In addition to the continued purchasing of short-term investment securities, management will consider purchasing investment securities with scheduled maturities of greater than one year. The desired result of these actions is to have a more diversified portfolio which provides a higher rate of return on invested funds.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

11. YEAR 2000 ISSUE

Observation:

The Year 2000 issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recently introduced Year 2000 compliant programs, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether.

The Year 2000 Issue is likely to affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the Year 2000. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such dates are 01/01/99, 09/09/99, and 12/31/99. As systems process information using these dates, they may produce erratic results or stop functioning.

The Year 2000 Issue presents another challenge – the algorithm used in some computers for calculating leap years is unable to detect that the Year 2000 is a leap year. Therefore, systems that are not Year 2000 compliant may not register the additional day, and date calculations may be incorrect.

Upon our discussions with management, it appears that the Utilities System Enterprise Fund is aware of the Year 2000 issue and has taken steps to insure that its financial systems are Year 2000 compliant. However, the process of assessing systems requiring updating and the steps taken to update those systems have not been documented, nor has the Utilities System Enterprise Fund established milestone dates for completing various tasks.

We noted that the Parish's fixed asset software is not Year 2000 compliant. We also noted that the Utilities System Enterprise Fund has not yet inquired of its major suppliers, vendors and service providers to determine the status of each entity with respect to the Year 2000.

Recommendation:

We recommend that you take the necessary actions to immediately begin to identify, modify, and test all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This program should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the Utilities System Enterprise Fund fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities. Depending on the extent of the system failures, noncompliance could have catastrophic consequences for the Utilities System Enterprise Fund.

Also, the Utilities System Enterprise Fund should implement additional verification procedures to test the accuracy of information received from its vendors, service providers,

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

bankers, customers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations must also become Year 2000 compliant. The Utilities System Enterprise Fund should also satisfy itself that vendors, service providers, bankers, customers, and other third party organizations will not experience problems relating to the Year 2000 Issue that could affect the Utilities System Enterprise Fund's operations or cash flows.